Parker Poe

J. Ashley Cooper
Partner
Telephone: 843.727.2674
Direct Fax: 843.727.2680
ashleycooper@parkerpoe.com

Atlanta, GA
Charleston, SC
Charlotte, NC
Columbia, SC
Greenville, SC
Raleigh, NC
Spartanburg, SC
Washington, DC

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Via Electronic Filing

Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
Post Office Drawer 11649
Columbia, SC 29211

Re: South Carolina Energy Freedom Act (H.3659) Proceeding to Establish Dominion Energy South Carolina Inc.'s Standard Offer, Avoided Cost Methodologies, Form Contract Power Purchase Agreements, Commitment to Sell Forms, and Any Other Terms or Conditions Necessary (Includes Small Power Producers as Defined in 16 United States Code 796, as Amended) – S.C. Code Ann. Section 58-41-20(A); Docket No. 2019-184-E

Dear Ms. Boyd:

I am writing on behalf of Dominion Energy South Carolina, Inc. ("DESC") to reply to the comments (the "Comments") filed with the Public Service Commission of South Carolina (the "Commission") in this docket by the South Carolina Solar Business Alliance, Inc. ("SCSBA") on July 20, 2020. The Comments respond to DESC's mitigation protocols (the "Protocols") that DESC filed in this docket on June 1, 2020. Specifically, the Comments request modifications to the Protocols that evidence a fundamental misunderstanding of the way in which DESC is required to operate its system.

Initially, DESC notes that it is undisputed that DESC's customers incur additional costs as a result of variable, uncontrolled solar qualifying facilities ("QFs") on the DESC system. In Order No. 2019-847, the Commission held that the imposition of Integration Charges in an interim amount of $2.29/MWh was "just and reasonable to customers, consistent with PURPA and FERC regulations and orders, non-discriminatory to QFs, and serve[s] to reduce the risk placed on the using and consuming public."[1] Although the Commission has since revised the interim amount, the fact remains that these solar QFs (each, a "Seller") must account for the costs incurred by DESC and its customers as a result of these generators via a Variable Integration Charge ("VIC") or Embedded Integration Charge ("EIC" and together with the VIC, the "Integration Charges").

[1] Order No. 2019-847 at 56, issued on December 9, 2019, in Docket No. 2019-184-E.

However, the Comments simply represent another effort in a long line of repeated attempts by the SCSBA to block, delay, and otherwise avoid having Sellers pay the Integration Charges—the necessity of which has been proven time and again before the Commission—in hopes of ultimately shifting these costs to ratepayers. As such, DESC respectfully provides the Commission with its reply to each of the SCSBA's requests and asks the Commission to deny each request for the reasons set forth below.

I. Updated Protocols.

The Comments request that the Commission direct DESC to update the Protocols after "an integration study has been completed and/or this Commission approves a methodology for calculating Integration Charges."[2] To be clear, the Protocols utilize a percentage measure—the Solar Site Variability Metric ("SSVM")—that is not tied to the actual value of the Integration Charges. Rather, the SSVM represents each Seller's proportionate contribution to the reduction in the operating reserves that DESC is required to carry as a result of such variable, uncontrolled solar generation. As such, the Protocols were specifically designed to ensure that the SSVM remains an accurate reflection of each Seller's contribution to the need for Integration Charges, regardless of the actual value of Integration Charges set by the Commission. To claim that these percentage values need to be modified as a result of a change in the value of the Integration Charges evidences a fundamental misunderstanding of the variability of solar generators and DESC's corresponding obligation to maintain reserves for the same. However, the onslaught of solar generation set to interconnect to DESC system in the coming years—combined with the current refusal by Sellers to take action to mitigate the impact of current variability—will likely result in an increase in both the value of Integration Charges and the measures that Sellers must take to mitigate the same.

II. Calculation of the Solar Site Variability Metric ("SSVM").

The Comments oppose the manner in which the SSVM is calculated, and request that the reduction in Integration Charges be based upon "the average SSVM, or some other reasonable aggregate value."[3] By way of background, the SSVM measures the degree to which a Seller reduces its variability under the Protocols. The SSVM will be calculated utilizing data collected by Seller from a revenue quality meter (the "Integration Meter"). The Integration Meter will record the Seller's energy production for every five-minute period of the billing month. Sellers will collect this data and input the same into a spreadsheet (the "SSVM Spreadsheet") provided by DESC. Essentially, the SSVM Spreadsheet calculates the drop in energy production of the solar generator over certain periods, and the SSVM measures that change as a percentage of the generator's production at the beginning of such period.[4] The maximum observed SSVM shall be deemed the SSVM utilized in determining that month's reduction, if any, in Integration Charges.

As stated above, the fundamental purpose of Integration Charges is to ensure Sellers are accountable for the increased costs that they cause DESC to incur in the form of operating reserves. Therefore, it naturally follows that any Seller desiring to reduce or eliminate Integration Charges owed to DESC must first reduce or eliminate the need for DESC to carry additional operating reserves. To do this, Sellers must reduce variability or unplanned drops in generation

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[2] Comments at 3.
[3] *Id*.
[4] DESC's transmittal letter filed with the Protocols on June 1, 2020, explain these calculations in greater detail, and describe how DESC developed these calculations to ensure that generators would not be unfairly penalized for small drops or drops during evening hours.

output. As such, the Protocols, as well as any future mitigation measures, will provide a reduction in Integration Charges that corresponds to the degree Sellers are actually able to reduce DESC's need for additional operating reserves by mitigating the magnitude of these unplanned drops in generation.

However, the SCSBA objects to using the actual drops as the measure and instead suggests averaging drops over the entirety of the month—a completely arbitrary and meaningless measure. This unfortunately reflects the SCSBA's total indifference to the costs and problems caused by the swings in output from variable generation and its lack of willingness to address the actual problem—that these drops are precisely the reason DESC must carry reserves. For example, even if a solar generator only has one uncontrolled, variable drop in generation over the course of an otherwise "smooth" monthly generation profile, DESC must maintain reserves that correspond to the single drop.[5] Additionally, the SSVM accounts for the entire five-minute period. Thus, if there is a dip, the generator has time to make adjustments to mitigate the impact of the dip on the overall SSVM. This is a generous concession given DESC must balance its entire system in real-time (i.e., not in five-minute intervals) to ensure reliability and comply with NERC Reliability Standards.

The SCSBA's request simply confuses the realities of DESC's compliance obligations in order to—yet again—not address the actual swings for which reserves must be carried. This approach is in lockstep with the SCSBA's strategy to date, which evidences repeated efforts to delay in order to protect its members' profits, all while not taking any meaningful action to address the costs associated by variable generation that are borne by ratepayers.

III. Submission of the SSVM Spreadsheet.

The Comments request that DESC provide Sellers with five business days, rather than two, after month's-end to submit the SSVM Spreadsheet to DESC. However, this two-day requirement is simply a function of billing in order to ensure that DESC is able to calculate applicable mitigation values and pass those through to Sellers as promptly as possible. Although DESC opposes the SCSBA's request, DESC notes that such a change would primarily harm Sellers given that it may simply delay their billing processes and ultimate realization of the reduction in Integration Charges.

Lastly, the Comments take issue with DESC's requirement that a Seller will be ineligible for participation in the Protocols if it opts-in to the Protocols, and thereafter fails to submit the SSVM Spreadsheet for two consecutive months.[6] Again, the SCSBA misses the larger goal which is to reduce costs directly attributable to variable generation. The fundamental purpose of the Protocols is to provide Sellers with an incentive to meaningfully invest in efforts to reduce the variability of their solar generators such that the reserves DESC is required to carry are materially and permanently reduced. If Sellers were able to pick and choose months in which to submit the SSVM Spreadsheet, Sellers would have no incentive to meaningfully invest in mitigation efforts given that they could selectively participate when weather patterns are such that they have less

[5] As outlined in DESC Witness Hanzlik's Rebuttal Testimony in Docket No. 2019-184-E, DESC must comply in real-time with NERC BAL standards. For example, DESC must account for one minute intervals per day under its balancing obligations as a BA. The five-minute interval provides a reasonable balancing interval for Sellers without overly interfering with DESC's real-time obligations—which are more stringent.

[6] DESC notes that, although not ideal, a Seller could fail to submit the SSVM Spreadsheet for every other month during the term of its power purchase agreement, and still be eligible so long as no two failures are consecutive. This could result in a failure rate of 50%, with the generator maintaining eligibility for the Protocols. Clearly, this is not overly burdensome.

volatility. This provision is simply an anti-gaming provision that was included to ensure commitment in addressing volatility in every minute, of every hour, of every day—otherwise, the variability will not be mitigated and ratepayers will continue to pay for reserves to offset variable generation. The SCSBA's request simply seeks maximum reward for minimal or no effort, at the expense of ratepayers.

In short, the Protocols were designed with one fundamental purpose in mind—creating an incentive for Sellers to create meaningful, permanent change on the DESC system to reduce the negative impact and additional expense of variable generation that is borne by ratepayers. Rather than furthering that purpose, the Comments seek to delay and dilute reform, while protecting profit margins of these variable, uncontrolled generators. As such, DESC respectfully requests that the Commission deny each of the SCSBA's requests.

Thank you for your time and consideration of these matters.

Sincerely,

J. Ashley Cooper

J. Ashley Cooper

JAC:hmp
cc: (Via Electronic Mail)
All parties of record in Docket No. 2019-184-E